

Public Fund Management System at Local Government Level in Nigeria

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Abstract

Management of public fund is an integral to the management of both human and material resources at federal, state and local government level. World over, developing and developed nations altogether have observed that decentralized service delivery can result in quicker benefits than with centralized systems. The aim of this paper is to critically examine the concept of management of local government funds in Nigeria. The methodology employed by the paper is by the use of secondary data and observation. Some of the findings include management of local government funds must include participation of the locals in decision making, direction, accountability, fairness and performance. Some of the recommendations of the paper include popular participation of the people should be encouraged; efficient machinery put in place to monitor and supervise the management of local government funds; so also the management of local government funds be supervise by the locals on a regular basis so as to ensure strict compliance to the rules of the revised financial memoranda.

Keywords: Public Fund Management, Local Government, Nigeria.

Introduction:

Local governments are not sovereign unlike independence nation-State; it is a subordinate government which derives its existence and power from the law and constitution. Since 1976 Local government reforms were undertaken to strengthen the local system in Nigeria, several challenges serves as an impediment to the performance of local government in discharge their constitutionally assigned responsibility. Local governments as a third tier administrative structure created in Nigeria to decentralize governance, bring government closer to the people at the grassroots and render social services (Agba, Ogwu and Chukwurah, 2013). They are purposefully located and responsible for the governance of about 60 percent of the estimated 180 million people of the Nigerian population. Local government in Nigeria have been characterized by poor accounting systems, unavailability of reliable data required for planning, over - politicization, inadequate finance and poor revenue collection, greed, unnecessary government interference, lack of direction and corruption. The statutory allocations from the federation account because of poor management are said to be inadequate to cover the financial obligations of local governments in terms staff salaries, social services and servicing of debts operations.

Clarification of Concepts:

According to Buger and Woods, (2008) defines public financial management as an area that focuses on the prioritization and use of scarce resources, on ensuring effective utilization of public resources, and on attaining value for money in meeting the objectives of Government and in particular delivering services to the people. Ahmed, *et al*, (2010), notes that public financial management practices involve planning for the future of a business enterprise to ensure a positive cash flow. Public financial management involves planning, organizing, directing and controlling the financial activities such as the procurement and the using up of funds of an enterprise. Correia *et al*, (2003) view public financial management forms part of the total operation of an organization and as such, it relates to the other functional disciplines in the organization. Fung, (2012) defines public financial management as being part of the decision-making, planning and control subsystems of an enterprise. It is considered to incorporate, the treasury function, which includes the management of working capital and the implications arising from exchange rate mechanisms due to international competition. It also incorporates the evaluation, selection, management and control of new capital investment opportunities. Therefore, public financial management practices are a collection of sufficient resources from the economy in an appropriate manner along with allocating and use of these resources efficiently and effectively. The practices

include resource generation, resource allocation, and expenditure and resource utilization. There are several components of public financial management and include financial planning and control, financial analysis, accounting information, management accounting (pricing and costing), capital budgeting and working capital management among others (Fung, 2012).

On the other hand the United Nations Office for Public Administration defines local government as a political subdivision of a nation or (in a federal system) State, which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to exact labour for prescribed purposes. Wraith (1972) Emezi (1986) and Denga (2003) in Sunday (2012) defined 'local government to a political authority set up by a state by a subordinate authority for the purpose of dispersing or decentralizing political power as well as promoting local initiative and response to local needs'. The 1976 local government reform defines local government as government at local level exercised through representative council established by law to exercise specific powers within defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the State and federal governments in their areas, and to ensure, through devolution of these functions to these councils and through the active participation of the people and their traditional institutions, that local initiative and response to local needs and conditions are maximized.

Sources of Revenue for Local Governments in Nigeria:

Unlike the Federal and the State Governments, the Local Government has three main sources of revenue. These are (i) External Revenue, (ii) Internally Generated Revenue and (iii) Loans. In accordance with the provisions of Section 7 of the 1979 Constitution sub-sections (4) and (5), both the Federal and the State governments are enjoined by Law to make and pay statutory allocations to the local governments in furtherance of their statutory obligations in their respective areas of authorities. The enactment of this vital provision in the constitution is designed to make the Local Government sufficiently and financially capable to provide for the overwhelming populace at the grassroots. An emerging trend from the above constitutional requirement is that the states hardly release the funds to the local governments making it difficult for them to carry out their statutory functions. The recent decision of the Federal Government to send the Federal Statutory Allocations and the Deduction from source of the 10% allocation payable by the states to the local governments with a view to making direct payment to the local governments is a welcome decision. However, the creation of state and local government joint account as proscribed by the 1999 constitution of Nigeria suggests that the federal government lacks the power to do so. At best, it may require the amendment of the constitution by two third majority of the parliament.

Management of Local Government Funds:

In nearly all developing and developed nations of the world, there are well developed mechanisms that guide the management of local government resources. These mechanisms are embedded in the financial regulations. In Nigeria, the mechanisms are embedded in the Revised Financial memoranda for Local Government 1991. The Financial Memorandum stipulates the generation and judicious management of funds for the benefit of the entire community. Local governments, being government at the grassroots level, have the sole responsibility of catering for the citizens at the local levels. As rightly observed by Okoli (1998) that local governments exist to fill the gap which the national government is too remote to fill, it brings the national government closer to the people and makes its impact felt in all the nooks and crannies of the society. By implication, the national government through this medium caters for the grassroots. The paper believed that the following set of principles if fully utilized effectively and efficiently they can lead to efficient management of funds at local government level in Nigeria.

One of the basic principles of managing local government funds is legitimacy; legitimacy it refers to the formal and informal social and political contracts that govern relationships between the state and citizens, and between traditional or charismatic leaders and their followers. It is also about the management and resolution of conflict within families, kin groups, communities and society. Management of public fund can't take place at any level without legitimacy. To achieve this management of funds at the local government level in the country legitimacy is require. These can be done through People's participation of both men and women and should also have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their intention. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

Another important aspect in the management of public fund at the local level is the issue of direction. Direction is concerned with instructing, guiding, supervising and inspiring people at local level to achieve its objectives. It is also a process of telling people what to do and seeing that they do it in the best possible manner. Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of

plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways. Communication, Supervision, Motivation and Leadership are the four essential elements of directing especially at local level.

Accountability; the notion of accountability is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions. Therefore, the concept of accountability involves two distinct stages; answerability and enforcement. Answerability at local government level is key to management of public fund. Its refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked and civil society seek to enforce standards of good performance on officials. Also accountability involved transparency in the management of resources especially at local level. It is built on the free flow of information, processes, institutions and information are directly accessible to those concerned, and enough information is provided to understand and monitor public activities accordingly.

Another important aspect in the management of public funds at local government level is fairness. Fairness includes equity on men and women have opportunities to improve or maintain their wellbeing. It also include rule of law, legal frameworks should be fair and enforced impartially, particularly the laws on human rights. Fairness also includes practices that achieve a favorable balance of costs and benefits to local and indigenous peoples (e.g. traditional uses, revenue-sharing, preferential employment and contracting procedures). If all these factors are judiciously applied can leads to efficient management of funds at local government level in the state.

Finally, performance is another important element in the management of public funds at local government level. The word performance has a latin origin, where the verb performare had the meaning of finalizing a predetermined activity. Nowadays, the significance of performance comes from the English language, from the verb to perform, which signifies the regular accomplishment of a thing that requires ability or a certain skill. The noun Performance denotes the manner of achieving the objectives predetermined by an entity. Performance leads to a vision of interdependencies between internal and external parameters, quantitative and qualitative, technical and human, physical and financial ones of management of funds at local level.

Challenges facing Management of Local Government Funds:

Some of the challenges facing management of local government funds include; poverty of leadership at the local government level remains one of the most daunting challenges at the grassroots'. While the paper recognize the fact that leadership problem is a national phenomenon in Nigeria, local governments in particular. Most local leaders at the local government level have a sit-tight mentality which does not allow for new ideas, fresh initiative and innovation. Rather than concentrate on developmental efforts, some local government officials are busy boot-licking state governors and donors/donor agencies. The issue of autonomy of local government has been a recurring one as witnessed in the on-going constitutional review where the issue of local government autonomy got almost 100 percent support. Funding of local governments in Nigeria remains a mirage. In spite, of the constitutional provisions and guarantee of funding of local governments from the federation account, local governments in the country operates a joint account with state government thereby making it difficult if not impossible to discharge their constitutional responsibilities. Other challenges faced by the management of local government funds include corruption, general indiscipline among local government employees, lack of commitment on the side of employees, frequent reforms from the state and central government, external influence by supervisory bodies, poor revenue generation and so on.

Conclusion

For management of local government funds to thrive people must be vigilant and demand legitimacy, transparency, fairness and accountability from the local leaders. For all these to be possible the citizens must be politically educated and mature. This would enable the future local leaders to make ethical decisions and for the people to begin to make political office holders transparent, accountable while within and outside office.

Recommendations

- i. Popular participation of the people should be encouraged as this would go a long way in keeping local government functionaries on their toes as an enlightened population would be concerned about the operations and success of the local government considering the enormous effect such would have on their lives.
- ii. There should be efficient machinery to put in place to monitor and supervise the management of local government funds as this would to a large extent enthrone financial accountability at the local level.
- iii. The management of local governments 'funds should be jointly supervised by the locals on a

- regular basis so as to ensure strict compliance to the rules of the Revised Financial Memoranda.
- iv. The federal and state governments should enact a law to guide the compliance of the Financial Memoranda by local government officials. Failure to comply with the financial memoranda should attract sanctions such as sack or suspension.
 - v. The welfare of workers should be improved upon by increasing their salaries and wages and other benefits offered as rewards in exchange for their services; this would go a long way in ensuring that their needs are well taken care of.

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